DEPARTMENT OF ENVIRONMENT

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2006

2007-00155

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Resource Protection and Development Revolving Fund as at March 31, 2006 and the statements of operations and accumulated operating surplus, and changes in accumulated net expenditure (recovery) for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 16, 2006

Fred Wendel, CMA, CA
Provincial Auditor

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
BALANCE SHEET
As at March 31

	2006	2005 Restated (Note 11)
ASSETS		
Current assets		
Accounts receivable (Note 9)	$ 41,487	$ 278,514
Inventories	65,741	85,982
Prepaid expenses	49,345	49,316
	156,573	413,812
Non-current assets		
Accumulated net recovery (Statement 3 and Note 9)	442,133	107,973
	$ 598,706	$ 521,785
LIABILITIES AND FUND EQUITY		
Current liabilities		
Accounts payable (Note 9)	$ 135,775	$ 69,112
Unearned revenue (Note 5)	19,115	10,097
	154,890	79,209
Fund equity		
Accumulated operating surplus (Statement 2)	443,816	442,576
	$ 598,706	$ 521,785

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31

	2006		2005
	Budget (Note 8)	Actual	Actual Restated (Note 11)
Revenues			
Radio communications	$ 1,740,000	$ 1,585,249	$ 1,681,546
Staff housing	—	—	99,780
Northern air operations	—	—	107,799
Land access registration	50,000	13,214	10,790
	1,790,000	1,598,463	1,899,915
Expenses			
Salaries and benefits	1,000,000	1,039,041	995,335
Contractual services	340,000	223,426	267,103
Materials and supplies	380,000	263,981	261,763
Travel and sustenance	60,000	59,565	49,980
Communications	—	587	423
Other	10,000	10,623	—
	1,790,000	1,597,223	1,574,604
Net income (Note 10)	$ —	1,240	325,311
Accumulated operating surplus, beginning of year		442,576	117,265
Accumulated operating surplus, end of year (Statement 1)		$ 443,816	$ 442,576

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE (RECOVERY)
For the Year Ended March 31

	2006	2005 Restated (Note 11)
Financing (provided by) required for operating activities:		
Net income	$ (1,240)	$ (325,311)
Net (decrease) increase in working capital Items related to operations (Note 6)	(332,920)	131,244
Net financing provided by operating activities	(334,160)	(194,067)
Net decrease in financing requirements	(334,160)	(194,067)
Accumulated net (recovery) expenditure, beginning of year	(107,973)	86,094
Accumulated net recovery, end of year (Statement 1)	$ (442,133)	$ (107,973)

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006

1. Authority and Definition of Entity

The Revolving Fund operates under the authority of Section 19 of *The Natural Resources Act*. The purpose of the Revolving Fund is to provide resource protection and development services. The Department of Environment administers the Revolving Fund.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure (Recovery) and Note 6. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) of the Revolving Fund includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and
ii) the book value of assets acquired at no charge from or transferred to another government agency.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value. Inventories consist of radio components.

d) Revenue recognition

Revenue is recognized when services are rendered.

3. Authorized Financing

Subsection 19(9) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the Lieutenant Governor in Council. A maximum amount of $5,500,000 was established by Order in Council 515/94.

4. Accumulated Operating Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of

excess surpluses to, or requests for additional funding from, the General Revenue Fund. Treasury Board has specified $200,000 as the limit for the accumulated operating surplus (deficit) of the Revolving Fund.

5. Unearned Revenue

Under *The Water Regulations, 2002*, the Department is required to collect a land access registration fee from applicants who wish to request access to certain lands for waste and water work operations. The Department is responsible to register this interest with Information Services Corporation once the Department has approved the application. Registration fees received are recorded as unearned revenue pending the approval of the application.

6. Net Change in Working Capital Items Related to Operations

	2006	2005
(Decrease) increase in accounts receivable	$ (237,027)	$ 142,649
Decrease in inventories	(20,241)	(264,282)
Increase in prepaid expenses	29	257
(Increase) decrease in accounts payable	(66,663)	254,437
Increase in unearned revenue	(9,018)	(1,817)
	$ (332,920)	$ 131,244

7. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. Rates charged by the Revolving Fund for services are calculated to recover costs incurred. These transactions, and amounts outstanding at year-end, are as follows:

Category	2006	2005
Revenues:		
Radio communications	$ 1,568,312	$ 1,665,741
Expenses:		
Contractual services	86,706	99,073
Materials & supplies	4,709	1,224
Travel & sustenance	42,962	33,009
Accounts receivable	40,565	46,838
Accounts payable	14,169	9,758

In addition, the Revolving Fund pays Provincial Sales tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Beginning April 1, 2005 the Revolving Fund no longer collects rent revenue under the Staff Housing Program. Also, effective March 31, 2005 the Northern Air Operations have been transferred to the Department.

Radio equipment owned by the Department is provided to the Fund at no cost. The Fund uses the radio equipment to provide services to the Department and other agencies for a rental fee. Included in radio communication revenue is $1,135,669 (2005 - $1,174,711) from the Department for rent and servicing of radio equipment.

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

Other transactions with related parties and amounts to/from them are described separately in the financial statements and notes thereto.

8. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

9. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates their carrying value.

The fair value of the accumulated net recovery has not been provided because it is not practicable to determine the fair value with sufficient reliability.

The Revolving Fund is exposed to minimal credit risk from the potential non-payment of accounts receivable. Most receivables were received shortly after the year-end.

10. Amount Reported in Public Accounts

The net (expense) recovery of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2006	2005 Restated (Note 11)
Net income	$ 1,240	$ 325,311
Decrease in inventory	20,241	102,445
Adjustment for capital items (Note 11)	(27,738)	(86,239)
Amounts included in Public Accounts due to timing	—	5,153
Net (expense) recovery reported in Public Accounts	$ (6,257)	$ 346,670

11. Prior Period Adjustment

At March 31, 2004 the Revolving Fund transferred its capital assets to the General Revenue Fund at net book value. Subsequent purchases of capital assets greater than the Government's capitalization thresholds were made by the Department of Environment. Assets less than these thresholds were acquired by the Revolving Fund and were expensed rather than capitalized. The

Revolving Fund has adjusted this retroactively and transferred these assets to the Department of Environment effective March 31, 2006.

As a result, the financial statements for the year ended March 31, 2005 have been restated. The effect of this restatement has been to increase accumulated net recovery by $86,239 and increase accumulated operating surplus by $86,239 as at March 31, 2005, and decrease materials and supplies expense by $86,239 and increase net income by an equivalent amount for the year ended March 31, 2005.